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UNCLAS SECTION 01 OF 02 AMMAN 000392

SENSITIVE

SIPDIS

STATE FOR NEA/ELA

STATE PLEASE PASS TO USTR (SFRANCESKI, LKARESH, CROMERO)

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COMMERCE FOR ITA/OTEXA (MARIA D'ANDREA)

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TAGS: ECON ETRD ELAB PREL KTEX IS JO

SUBJECT: QIZ GARMENT FACTORIES: JORDANIAN-ISRAELI BUSINESS TIES CONTINUE AND MORE JORDANIANS SEEK EMPLOYMENT

REF: A. AMMAN 230

1B. AMMAN 129

1C. 08 AMMAN 3359

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11. (SBU) Summary: Two garment factories in Jordan's Qualifying Industrial Zones (QIZs) have continued to show strong business links to Israel, despite public calls in Jordan during events in Gaza to boycott American and Israeli goods (ref B). The Al-Methaliah factory plans to begin in March satellite factory operations in Irbid/Al-Wastieh and has already begun training 40 women. Many of these trainees have never previously worked but sought employment to contribute financially to their families during difficult economic times in Jordan (ref C). End Summary.

Masera Employs 1,000 Jordanian Workers

12. (SBU) Officials from Jordan's Ministry of Industry and Trade (MOIT) and Econoff visited on February 1 the Israeli-owned Masera factory in Al-Hassan QIZ. Masera is the distributor in Jordan for the Israeli company Tefron. Masera Administration Manager Abdel-Hai Al-Serhan explained that Masera receives orders from Tefron for U.S. buyers such as Victoria's Secret, Nike, Calvin Klein, and Target, and then subcontracts the work to ten other garment factories in Jordan. Despite the global financial crisis, Serhan said business has remained constant. He expressed fear, however, that any rises in production costs, such as the minimum wage (ref A), would cause Tefron to move operations to Egypt since garment companies are generally only interested in the "bottom-line." He confirmed that Masera's business remained unaffected by the crisis in Gaza, and that there were no protests at his factory as in other parts of the country (ref B).

13. (SBU) Masera is one of the few remaining QIZ companies in Jordan with a 100% Jordanian workforce of 1,000 people, including 700 female sewing machine operators. Serhan said that part of the company's success is linked to its training program that uses highly skilled Arab-Israeli trainers who communicate easily with the Jordanian workers. MOIT officials noted that Arab-Israeli production line supervisors were also present in the factory to ensure quality control. Masera also provides financial incentives for good attendance, which has helped reduce absenteeism.

Methaliah Hiring Women Who Have Never Worked Before

14. (SBU) MOIT officials and Econoff subsequently visited one of Masera's subcontractors -- al-Methaliah factory in the northern city of Irbid. Owned by a Palestinian-Israeli, Methaliah was first established in 2001 in Al-Hassan QIZ. It opened up another factory four years later in Irbid, where 250 Jordanians currently work. Methaliah's General Manager, Mohammad Adnan Hasseinein, said that while the factory has still been paying the lease on its building in Al-Hassan, it moved all production to Irbid in late 2008. He added that the company plans to further shift operations and the machines previously located in Al-Hassan to a new satellite factory in Irbid/Al-Wastieh, which was recently designated as a QIZ. Hasseinein noted that the move from the Al-Hassan QIZ to Irbid has helped the company save about \$5,000 per month in transportation costs of its workers who now live closer to the factory.

15. (SBU) Hasseinein expects Methaliah's satellite operation to start within the next month and ultimately employ 400 Jordanians. He noted that he has already received 250 employment applications, and hired 40 women who are being trained in Methaliah's factory. Two of the trainees, who appeared to be in their late 30's and 40's, said that they had said never worked before. They explained that the difficult economic situation in Jordan had put pressure on them to get a job and contribute financially to their families.

16. (SBU) According to Hasseinein, 70% of the production in Methaliah's satellite factory will be underwear for Tefron

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and the other 30% would most likely be for another yet-to-be-determined company in Israel. He explained that Methaliah receives the cut components from Tefron through Masera; assembles, inspects, and packs the garments; and then ships the finished products back to Tefron in Israel for export to the U.S. While the company wants to keep its options open, he said he did not expect to export directly to the U.S. because it was logistically easier to work with companies in Israel.

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